July 15, 2020

Optimization of monochrome toner manufacturing structure and accounting for related Loss

TOMOEGAWA Co., Ltd. (hereinafter "TOMOEGAWA"), at the Board Meeting held on July 15, 2020, has decided on the reorganization of its consolidated subsidiary, TOMOEGAWA (U.S.A.) INC. (hereinafter "TUI"). TUI will maintain its status as toner sales and marketing office, while closing and removing the toner manufacturing operation. This move will reinforce TOMOEGAWA group's toner sales network, while optimizing the group's monochrome toner manufacturing structure by moving out TUI's production to the group's other three factories in Japan and China.

1. Optimization of monochrome toner manufacturing structure

(1) Summary and Background

TOMOEGAWA operates its toner business as the world's largest independent toner manufacture with 4 manufacturing bases (Japan, US and 2 in China), 5 sales offices (Japan, United States, Netherlands, China and Hong Kong) and one marketing office in United Arab Emirates. This structure has been enabling us to offer products and services that satisfy our customers' request.

There is a major ongoing shift in the global toner market; Demand for color toner is growing globally, while demand for monochrome toner in developed countries started decreasing in 2015. Even though sales of monochrome toner is still increasing in China and other Asian countries, that growth is not large enough to cover the shrinking of developed country markets. As the worldwide demand for monochrome toner continues to shrink, price competition arising in the China market has now spread globally and is causing accelerating price erosion.

To manage through such market condition change, and to make sure stable supply of our products at competitive price in order to meet our customers' demand, we decided to move the production of monochrome toners from TUI, whose cost structure makes it difficult to be profitable, to factories in Japan and China (Huizhou, Guangdong and Jiujiang, Jiangxi) where recent investments for expanded production capacity give them an advantage in price competition.

TUI, after ending its toner manufacturing, will continue its business as our Group's important toner sales base for North, Central and South America markets.

(2) Overview of TUI, which will end its toner manufacturing operation

Name	TOMOEGAWA (U.S.A.) INC.
Location	Illinois, USA
CEO	Kenji Taka
Operation	Manufacturing and Sales of toner
Paid-in-Capital	US$7,000,000.

(3) Scheduled Last Date of toner manufacturing at TUI

September 30, 2020

(4) Accounting for related loss

The monetary effect of closing and removing the factory have not been made definite at this moment, but it is expected that the loss of around four million US Dollars should be recorded for asset impairment and manufacturing equipment removal cost.

2. Effect on the performance of TOMOEGAWA

Under the current situation, where conclusion of COVID-19 syndrome is not in sight, TOMOEGAWA does not disclose its earnings forecast due to the difficulty in making reasonable demand estimation with the infectious diseases spreading. Still, when we announce estimation of consolidated FY2021 (Fiscal Year ending March 2021) result, we will disclose the amount of related loss, with the addition of numbers such as fixed-cost reduction effect and the effect of production efficiency improvement at production transfer destinations.